



Acquisition Reform Panel

Capt. J. J. Higbee

PEO(USW) PMS404

MK46 and MK54 Torpedo Asset Exchange Program Team

- Developed an innovative Program Management tool that applies existing statutes (40 U.S.C § 481(c)) and regulations allowing for the exchange of obsolete non-excess assets for current program requirements.
- Application of this tool resulted in \$6.7M cost avoidance for the Navy, \$6.2M in savings to the FMS customer, and paved the way for significant future savings across the Department of the Navy.
- Specifically, the Navy and Raytheon Systems Company executed an exchange agreement in December 1998 for 131 MK46 torpedo main assemblies to be provided to Raytheon Systems Company in exchange for 14 MK54 torpedo main assemblies.
- The agreement allows Raytheon to refurbish and sell, at a reduced price, the MK46 assemblies to allied navies. The exchange further allows the U. S. Navy to continue its development of an affordable, COTS based, state-of-the-art, shallow water Anti-Submarine Warfare weapon, the MK54 torpedo.



Process Improvement, Hurdles & Metrics

- **Process Improvement**
 - Applied proceeds from sale/exchange of non-excess property (MK46 torpedoes) to acquisition of similar items (MK54 torpedoes)
 - First time exchange in a major weapon system by the Navy
- **Hurdles**
 - **Obstacles**
 - Understanding of statutory and regulatory requirements (similar items, non-excess property)
 - Undefined and cumbersome approval process (DLSC, NAVSUP, NAVCOMPT, GSA, General Counsel of The Navy)
 - **Problems PEO/PM will encounter in implementing this Practice**
 - Not applicable for certain Federal Supply Classification items per FPMR Part 101-46 (GSA waiver may be required)
 - Assessment and agreement on residual value of obsolete assets to be exchanged
- **Potential Metrics**
 - Number of items exchanged/year
 - Reduction of obsolete assets in inventory



Lessons Learned

- **How would we do it differently today?**
 - Streamline approval process via delegation of authority
- **Results to date**
 - 131 MK46 torpedoes exchanged to date
 - \$6.7M cost avoidance for the Navy enabled completion of MK54 EDMs required to support in-water testing within available resources
 - \$6.2M in savings to the FMS customer
- **For more information on this practice send an e.mail to ctexcdnate@ar.navy.mil**